

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Town of Hingham  
Contributory Retirement System  
January 1, 1996 - December 31, 1998  
PERAC 98: 06-043-38**

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July 19, 2002

The Public Employee Retirement Administration Commission has completed an examination of the Town of Hingham Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 1996 to December 31, 1998. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I wish to express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD ENDING DECEMBER 31, 1998**

### **1. Accounting**

The PERAC audit staff determined that the two cash accounts utilized by the retirement system do not have separate general ledger segregation and that they are not separately listed in Schedule 1 of the Annual Report.

In 1996, all expenses other than salary were recorded as administrative expenses. Based upon inspection of the ledger accounts it is not possible to determine the amounts paid for professional fees, travel, and equipment.

#### **Recommendations**

1. All cash accounts should be recorded in separate books of original entry and be maintained in separate general ledger accounts.
2. All cash accounts should be separately listed on Schedule 1 of the annual report.
3. The staff of the Hingham Retirement System should review the PERAC accounting manual to insure that the books of original entry and general ledger are in compliance with the manual.

#### **Board Response**

The Board agrees with the PERAC audit staff and their recommendations. Currently, all general ledger accounts are utilized as per the PERAC Accounting Manual.

### **2. Member Contributions**

Member contributions relative to the 2% of regular compensation in excess of \$30,000 for school department employees are not properly calculated. The error results in an overwithholding of \$.09 per employee, each week.

#### **Recommendation**

Corrections should be made to the payroll system utilized to calculate member contributions and a review must be performed to determine the amount of the errors. Members must be refunded any overwithheld amounts.

#### **Board Response**

The Board agrees with the PERAC audit staff and their recommendation. The Board identified the specific problem to the School Department. The Department will no longer affect the payroll system with adverse data entry. In addition, a review of member contributions is underway for both the audit period and subsequent years. The Board will seek refunds and payments as required.

## **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

### **FOR THE PERIOD ENDING DECEMBER 31, 1998**

#### **3. Appropriation Reconciliation**

In reconciling the amounts paid by the Town of Hingham to the retirement Board, PERAC audit staff noted an overpayment of \$28,912 in fiscal 1998 and an underpayment of \$35,627 in fiscal 1999, the net of which results in an underpayment of \$6,715. Based on an interest rate of 8%, the Town of Hingham owes the retirement system \$7,252 (\$6,715 plus 8%) for the fiscal period 1998-99.

##### **Recommendation**

Arrangements should be made for the Town of Hingham to pay the amount due the Hingham Retirement System.

**Board Response** – Contained in Memo from O'Connor & Drew, P.C. (auditing firm) to Board "We have reviewed the draft report issued by PERAC on April 23<sup>rd</sup>, 2002 on the condition of the Hingham Contributory Retirement System for the period January 1, 1996 to December 31, 1998. We agree with all of the findings specified in the report, and with one exception, we also agree with the recommendations proposed by PERAC.

PERAC noted an overpayment of \$28,912 by the Town of Hingham to the retirement system in fiscal year 1998 and an underpayment of \$35,627 in fiscal 1999. While we agree with their finding, their recommendation was already resolved in 2000 with another overpayment, so the Town of Hingham does not owe the system \$6,712.

The reason for the over/under payments from year to year is due to the timing of when the light plant paid their annual contribution and this is being accounted for more accurately than in the past."

#### **4. Bonding**

The Hingham Retirement Board is not maintaining bonding for Board members and appropriate employees. PERAC Regulation 840 CMR 17.01 states that "all Board members and retirement system staff shall be bonded in an amount sufficient to provide reasonable protection against losses due to fraud and dishonesty and each shall be bonded for no less than 10% of the amount of the fund or \$500,000."

##### **Recommendation**

Pursuant to PERAC Regulation 840 CMR 17.01, the Hingham Retirement Board must obtain bonding for all appropriate individuals, employees and board members.

##### **Board Response**

The Board agrees with the PERAC audit staff and their recommendation. The Board applied for Fiduciary Responsibility Insurance with the Travelers Insurance Company. The Board was denied mid-term addition because the funding level of our plan fell below the 68% threshold requirement. The Board expects, however, to procure coverage with Travelers upon the policy renewal date effective February 3, 2003.

## **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONT'D)**

### **FOR THE PERIOD ENDING DECEMBER 31, 1998**

5. **Minutes' Book**

The minutes' book pages are not pre-numbered and Board members do not always approve the minutes of meetings.

**Recommendation**

Pages in the minutes' books should be pre-numbered and Board members should sign the minutes of Board meetings they attend.

**Board Response**

The Board agrees with the PERAC audit staff and their recommendation. Currently, all Minute Book pages are numbered and Board members sign the minutes of all Board meetings they attend.

# **STATEMENT OF LEDGER ASSETS AND LIABILITIES**

**FOR THE PERIOD BEGINNING JANUARY 1, 1996  
AND ENDING DECEMBER 31, 1998**

<b>ASSETS</b>	<b>FOR THE YEAR ENDING DECEMBER 31,</b>		
	<b>1998</b>	<b>1997</b>	<b>1996</b>
Cash	\$367,947	\$28,488	\$1,296,661
PRIT Cash Fund	\$434,449		
PRIT Core Fund	\$38,359,697	\$33,489,253	\$27,641,180
Accounts Receivable	\$1,030,143	\$1,277,056	\$391
Accounts Payable	(\$287)	(\$7,832)	(\$17,913)
<b>TOTAL</b>	<b>\$40,191,948</b>	<b>\$34,786,965</b>	<b>\$28,920,319</b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$9,079,884	\$8,848,881	\$8,541,961
Annuity Reserve Fund	\$4,229,676	\$3,727,452	\$3,402,410
Military Service Fund	\$2,748	\$2,684	\$2,618
Pension Fund	\$1,906,732	\$2,135,329	\$2,052,601
Expense Fund	\$0	\$0	\$25,518
Pension Reserve Fund	\$24,972,909	\$20,072,620	\$14,895,210
<b>TOTAL</b>	<b>\$40,191,948</b>	<b>\$34,786,965</b>	<b>\$28,920,319</b>

# STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE PERIOD BEGINNING JANUARY 1, 1996  
AND ENDING DECEMBER 31, 1998**

	<b>Annuity Savings Fund</b>	<b>Annuity Reserve Fund</b>	<b>Military Service Fund</b>	<b>Pension Fund</b>	<b>Pension Reserve Fund</b>	<b>Expense Fund</b>	<b>Total All Funds</b>
<b>Beginning Balance (1996)</b>	\$7,909,171	\$3,348,973	\$2,555	\$1,933,373	\$11,042,639	\$42,898	<b>\$24,279,608</b>
Receipts	\$984,630	\$97,451	\$64	\$2,566,354	\$3,852,571	\$45,350	<b>\$7,546,420</b>
Interfund Transfers	(\$308,590)	\$308,590	\$0	\$0	\$0	\$0	<b>\$0</b>
Disbursements	(\$43,250)	(\$352,604)	\$0	(\$2,447,126)	\$0	(\$62,729)	<b>(\$2,905,709)</b>
<b>Ending Balance (1996)</b>	<b>\$8,541,961</b>	<b>\$3,402,410</b>	<b>\$2,618</b>	<b>\$2,052,601</b>	<b>\$14,895,210</b>	<b>\$25,518</b>	<b>\$28,920,319</b>
Receipts	\$1,103,258	\$103,197	\$65	\$2,695,148	\$5,170,260	\$42,228	<b>\$9,114,156</b>
Interfund Transfers	(\$603,588)	\$596,439	\$0	\$0	\$7,149	\$0	<b>\$0</b>
Disbursements	(\$192,750)	(\$374,594)	\$0	(\$2,612,420)	\$0	(\$67,746)	<b>(\$3,247,510)</b>
<b>Ending Balance (1997)</b>	<b>\$8,848,881</b>	<b>\$3,727,452</b>	<b>\$2,684</b>	<b>\$2,135,329</b>	<b>\$20,072,620</b>	<b>\$0</b>	<b>\$34,786,965</b>
Receipts	\$1,171,715	\$119,067	\$64	\$2,686,873	\$4,903,773	\$95,069	<b>\$8,976,561</b>
Interfund Transfers	(\$803,267)	\$806,752	\$0	\$0	(\$3,485)	\$0	<b>(\$0)</b>
Disbursements	(\$137,445)	(\$423,594)	\$0	(\$2,915,470)	\$0	(\$95,069)	<b>(\$3,571,578)</b>
<b>Ending Balance (1998)</b>	<b>\$9,079,884</b>	<b>\$4,229,676</b>	<b>\$2,748</b>	<b>\$1,906,732</b>	<b>\$24,972,909</b>	<b>\$0</b>	<b>\$40,191,948</b>



## STATEMENT OF INCOME

**FOR THE PERIOD BEGINNING JANUARY 1, 1996  
AND ENDING DECEMBER 31, 1998**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$880,134	\$820,138	\$769,202
Transfers from other Systems	\$84,266	\$34,109	\$923
Member Make Up Payments and Redeposits	\$8,917	\$40,954	\$18,422
Investment Income Credited to Member Accounts	\$198,398	\$208,057	\$196,082
<b>Sub Total</b>	<b>\$1,171,715</b>	<b>\$1,103,258</b>	<b>\$984,630</b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<b>\$119,067</b>	<b>\$103,197</b>	<b>\$97,451</b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	\$81,119	\$80,861	\$86,411
Received from Commonwealth for COLA and Survivor Benefits	\$276,949	\$304,509	\$259,001
Pension Fund Appropriation	\$2,328,804	\$2,309,777	\$2,220,942
<b>Sub Total</b>	<b>\$2,686,873</b>	<b>\$2,695,148</b>	<b>\$2,566,354</b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service			
Investment Income Credited Military Service Fund	\$64	\$65	\$64
<b>Sub Total</b>	<b>\$64</b>	<b>\$65</b>	<b>\$64</b>
<b>Expense Fund:</b>			
Expense Fund Appropriation	\$0	\$42,228	\$45,350
Investment Income Credited to Expense Fund	\$95,069		
<b>Sub Total</b>	<b>\$95,069</b>	<b>\$42,228</b>	<b>\$45,350</b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	\$0	\$5,323	\$5,194
Pension Reserve Appropriation	\$0	\$0	\$0
Interest Not Refunded	\$5,316	\$3,414	\$1,433
Excess Investment Income	\$4,898,457	\$5,161,524	\$3,845,945
<b>Sub Total</b>	<b>\$4,903,773</b>	<b>\$5,170,260</b>	<b>\$3,852,571</b>
<b>TOTAL RECEIPTS</b>	<b>\$8,976,561</b>	<b>\$9,114,156</b>	<b>\$7,546,420</b>

# **STATEMENT OF DISBURSEMENTS**

**FOR THE PERIOD BEGINNING JANUARY 1, 1996  
AND ENDING DECEMBER 31, 1998**

		<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
		<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Annuity Savings Fund:</b>				
Refunds to Members		\$104,703	\$187,608	\$43,250
Transfers to other Systems		\$32,742	\$5,142	\$0
<b>Sub Total</b>		<b>\$137,445</b>	<b>\$192,750</b>	<b>\$43,250</b>
<b>Annuity Reserve Fund:</b>				
Annuities Paid		\$423,594	\$374,594	\$348,755
Option B Refunds		\$0	\$0	\$3,849
<b>Sub Total</b>		<b>\$423,594</b>	<b>\$374,594</b>	<b>\$352,604</b>
<b>Pension Fund:</b>				
Pensions Paid				
Regular Pension Payments		\$1,948,316	\$1,752,753	\$1,666,031
Survivorship Payments		\$95,939	\$94,522	\$70,110
Ordinary Disability Payments		\$103,176	\$28,066	\$37,528
Accidental Disability Payments		\$331,004	\$286,100	\$225,697
Accidental Death Payments		\$97,807	\$103,673	\$112,444
Section 101 Benefits		\$5,481	\$5,772	\$6,406
3 (8) (c) Reimbursements to Other Systems		\$70,611	\$73,200	\$40,209
State Reimbursable COLA's Paid		\$263,137	\$268,333	\$288,702
Chapter 389 Beneficiary Increase Paid		\$0	\$0	\$0
<b>Sub Total</b>		<b>\$2,915,470</b>	<b>\$2,612,420</b>	<b>\$2,447,126</b>
<b>Military Service Fund:</b>				
Return to Municipality for Members Who Withdrew Their Funds		\$0	\$0	\$0
<b>Expense Fund:</b>				
Board Member Stipend		\$0	\$0	\$0
Salaries		\$36,878	\$35,213	\$29,642
Legal Expenses		\$0	\$0	\$0
Medical Expenses		\$0	\$0	\$0
Travel Expenses		\$1,157	\$1,351	\$0
Administrative Expenses		\$27,282	\$7,462	\$33,088
Furniture and Equipment		\$3,248	\$1,424	\$0
Management Fees		\$0	\$0	\$0
Consultant Fees		\$26,505	\$22,296	\$0
Custodial Fees		\$0	\$0	\$0
<b>Sub Total</b>		<b>\$95,069</b>	<b>\$67,746</b>	<b>\$62,729</b>
<b>TOTAL DISBURSEMENTS</b>		<b>\$3,571,578</b>	<b>\$3,247,510</b>	<b>\$2,905,709</b>

## INVESTMENT INCOME

**FOR THE PERIOD BEGINNING JANUARY 1, 1996  
AND ENDING DECEMBER 31, 1998**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Investment Income Received From:</b>			
Cash	\$6,162	\$3,998	\$7,712
Short Term Investments	\$0	\$0	
Fixed Income	\$0	\$0	
Equities	\$0	\$0	
Pooled or Mutual Funds	\$5,304,893	\$5,511,073	\$4,131,830
<b>TOTAL INVESTMENT INCOME</b>	<b>\$5,311,055</b>	<b>\$5,515,071</b>	<b>\$4,139,542</b>
<b>Plus:</b>			
Increase in Amortization of Fixed Income Securities	\$0	\$0	\$0
Realized Gains	\$0	\$0	\$0
Unrealized Gains	\$0	\$0	\$0
Interest Due and Accrued on Fixed Income Securities - Current Year	\$0	\$0	\$0
<b>Sub Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Less:</b>			
Decrease in Amortization of Fixed Income Securities	\$0	\$0	\$0
Realized Loss	\$0	\$0	\$0
Unrealized Loss	\$0	\$0	\$0
Paid Accrued Interest on Fixed Income Securities	\$0	\$0	\$0
Management Fees Paid	\$0	\$0	\$0
Consultant Fees Paid	\$0	\$0	\$0
Custodial Fees Paid	\$0	\$0	\$0
Interest Due and Accrued on Fixed Income Securities - Prior Year	\$0	\$0	\$0
<b>Sub Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>NET INVESTMENT INCOME</b>	<b>\$5,311,055</b>	<b>\$5,515,071</b>	<b>\$4,139,542</b>
<b>Income Required:</b>			
Annuity Savings Fund	\$198,398	\$208,057	\$196,082
Annuity Reserve Fund	\$119,067	\$103,197	\$97,451
Military Service Fund	\$64	\$65	\$64
Expense Fund	\$95,069	\$42,228	\$0
<b>TOTAL INCOME REQUIRED</b>	<b>\$412,598</b>	<b>\$353,547</b>	<b>\$293,597</b>
Net Investment Income	\$5,311,055	\$5,515,071	\$4,139,542
Less: Total Income Required	\$412,598	\$353,547	\$293,597
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b>\$4,898,457</b>	<b>\$5,161,524</b>	<b>\$3,845,944</b>

# **STATEMENT OF ALLOCATION OF INVESTMENTS OWNED**

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

	<b>BOOK VALUE*</b>	<b>MARKET VALUE</b>	<b>PERCENTAGE OF TOTAL ASSETS</b>	<b>PERCENTAGE ALLOWED*</b>
Cash	\$367,947	\$367,947	0.94%	100
PRIT Cash Fund	\$434,449	\$434,449	1.11%	
PRIT Core Fund	\$38,359,697	\$38,359,697	97.95%	100
<b>GRAND TOTALS</b>	<b>\$39,162,093</b>	<b>\$39,162,093</b>	<b>100.00%</b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, 1998, the rate of return for the investments of the Town of Hingham Retirement System was 14.83%. For the five-year period ending December 31, 1998, the rate of return for the investments of the Town of Hingham Retirement System averaged 15.38%. For the thirteen-year period ending December 31, 1998, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the Town of Hingham Retirement System was 12.27%.

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

**SUPPLEMENTARY INVESTMENT REGULATIONS**

The Town of Hingham Retirement System has not submitted any supplementary investment regulations.

## **NOTES TO FINANCIAL STATEMENTS**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

#### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all Town of Hingham Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually reduced such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited all income derived from interest and dividends of invested funds. At the end of the year the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.



## **NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The Town of Hingham Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 18, 1994

**Creditable Service:** All part-time employees shall be granted one (1) year membership service credit for each three (3) years of part time provisional or temporary employment.

**Part-time Employees:** Board of Registrars, Sealer of Weights and Measures, Child Clinic Doctor, School Dentist, School Doctor, Harbormaster, Town Hall Custodian. Call firefighters were omitted from this definition because their creditable service is more specifically addressed in Chapter 32 section 4(2)b.

December 18, 1994

**Membership:** Part-time employees who are employed for at least thirty-four (34) consecutive weeks of not less than twenty-four (24) hours each week, in every calendar year, must become members of the Hingham Retirement System.

November 27, 1990

**Membership:** To require full time employment as a criteria for membership in the Hingham Retirement System. Full time employment is defined as 35 hours per week for administrative, clerical and library employees; 40 hours per week for custodians, laborers and hourly rated employees; 42 hours per week for uniformed employees of the Fire Department. The work schedule for uniform employees of the Police Department shall be four consecutive eight hour days on duty followed by two consecutive days off duty. School Bus Drivers who work a minimum of 25 hours a week when school is in session shall be included. Any employee who works full time for eight or more consecutive months per year shall be eligible. Seasonal, temporary and intermittent employees shall not be eligible. If a full time member in service of the Hingham Contributory Retirement System on October 1, 1990 becomes a part time employee at any time after October 1, 1990, he or she may remain a member of the Hingham Retirement System.

The above stated policy applies to all employees hired by the Town of Hingham on or after October 1, 1990.

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS - (Cont'd.)**

December 28, 1992

Effective January 4, 1993, the following rules and regulations of the Hingham Contributory Retirement System relative to membership in said system shall be in effect. These regulations shall supersede any previous regulations.

**Full-time Service:** Full-time employment shall be defined as 35 hours per week for administrative, clerical and library employees (32 hours per week for certain library employees); 40 hours per week for custodians, laborers and hourly rated employees; 42 hours per week for uniformed employees of the Fire Department and four consecutive eight hour days on duty followed by two consecutive days off duty for uniformed employees of the Police Department.

If a Full-time Employee who is a member in service of the Hingham Contributory Retirement System on January 4, 1993 becomes a Part-time Employee at any time after January 4, 1993 and meets the eligibility requirements set forth in paragraph 4 below, said employee may remain an active member of the system.

December 28, 1992

**Part-time Service:** Part-time Employees employed as of January 4, 1993 but hired prior to January 4, 1993 and currently working 20 or more hours per week may elect to join the Hingham Contributory Retirement System upon completion of any probationary period as of January 4, 1993. If such employee elects to join or to continue membership in the Defined Contribution Plan (PEBSO) as of January 4, 1993 in lieu of joining the Hingham Contributory Retirement System, such employee shall not be eligible to join the Hingham Contributory Retirement System until after two years of membership in such plan. In addition, such employee may elect to buy back creditable service for all or part of the period January 1, 1992 to January 4, 1993 inclusive, if such employee by reason of date of hire is so eligible to buy back such service.

Part-time Seasonal, Part-time temporary and Part-time Intermittent Employees shall not be eligible for membership in the Hingham Contributory Retirement System.

June 13, 1994

**Elections:** The election schedule to fill the unexpired portion of the current elected member's term, a forty-five day election time frame is hereby approved pursuant to 840 CMR 14.02. An election for a new three-year term must be held upon the expiration of the current term. This next election and all future elections should be conducted within a ninety-day time frame.

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

## NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Ted C. Alexiades

Appointed Member: Thomas Hall Term Expires: 05/31/04

Elected Member: Eileen A. McCracken Term Expires: 07/31/02

Elected Member: Bill Nolan Term Expires: 07/31/04

Appointed Member: Peter Blampied                      Term Expires: 02/28/03

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian: )  
 Ex officio Member: )  
 Elected Member: ) NONE AT TIME OF AUDIT  
 Appointed Member: )  
 Staff Employee: )

# NOTES TO FINANCIAL STATEMENTS (Continued)

## FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998

### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants, Inc. as of January 1, 2000.

The actuarial liability for active members was	\$26,626,740
The actuarial liability for retired members was	\$31,024,789
The actuarial liability for inactive members was	\$210,022
The total actuarial liability was	<b>\$57,861,551</b>
System assets as of that date were	\$48,884,485
The unfunded actuarial liability was	<b>\$8,977,066</b>

The ratio of system's assets to total actuarial liability was	84.5%
As of that date the total covered employee payroll was	\$12,214,509

The normal cost for employees on that date was	7.40% of payroll
The normal cost for the employer was	7.40% of payroll

The principal actuarial assumptions used in the valuation are as follows:

<b>Investment Return:</b>	8.00% per annum
<b>Rate of Salary Increase:</b>	5.10% per annum

### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2000

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2000	\$ 48,884,485	\$ 57,861,551	\$ 8,977,066	84.5%	\$ 12,214,509	73.50%
1/1/1998	\$ 34,786,965	\$ 46,298,574	\$ 11,511,609	75.1%	\$ 10,898,418	105.63%
1/1/1996	\$ 24,236,711	\$ 42,461,163	\$ 18,224,452	57.1%	\$ 10,109,832	180.26%
1/1/1995	\$ 19,331,485	\$ 38,149,134	\$ 18,817,649	50.7%	\$ 9,685,311	194.29%
1/1/1994	\$ 18,706,292	\$ 35,876,452	\$ 17,170,160	52.1%	\$ 8,800,091	195.11%
1/1/1992	\$ 14,552,695	\$ 33,707,835	\$ 19,155,140	43.2%	\$ 8,874,462	215.85%

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 1998**

**NOTE 6 - MEMBERSHIP EXHIBIT**

<b>Retirement in Past Years</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Superannuation	13	11	9	10	13	9	12	5	0	2
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	2	0	0	1	0	2	0	2	0	0
Total Retirements	<b>15</b>	<b>11</b>	<b>9</b>	<b>11</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>7</b>	<b>0</b>	<b>2</b>
Total Retirees, Beneficiaries and Survivors	202	209	211	216	225	228	233	242	231	238
Total Active Members	335	341	280	296	312	346	360	358	370	374
<b>Pension Payments</b>										
Superannuation	*	1,728,421	1,290,069	1,339,671	1,365,864	1,683,327	1,763,633	1,666,031	1,752,753	1,948,316
Survivor/Beneficiary Payments	*	*	77,814	88,293	105,352	**	99,782	70,110	94,522	95,939
Ordinary Disability	*	*	71,731	50,856	50,856	29,070	59,675	37,528	28,066	103,176
Accidental Disability	*	*	233,732	239,986	272,198	250,230	252,821	225,697	286,100	331,004
Other	*	28,291	193,046	237,344	226,957	246,619	161,500	447,761	450,978	437,036
Total Payments for Year	<b>1,667,859</b>	<b>1,756,712</b>	<b>1,866,392</b>	<b>1,956,150</b>	<b>2,021,227</b>	<b>2,209,246</b>	<b>2,337,411</b>	<b>2,447,126</b>	<b>2,612,420</b>	<b>2,915,470</b>